

# Preface

The idea of learning legal accounting can be intimidating—all that math! As instructors, we often tell our students that we are not doing math, just some simple arithmetic.

*Legal Accounting* introduces students and legal professionals to basic accounting concepts so that they will gain an understanding of what bookkeeping and record-keeping are all about. It is important for licensed paralegals to understand the bylaws and requirements of the Law Society of Upper Canada (LSUC) as they relate to record-keeping in a law firm. An understanding of these requirements is also useful for law clerks, who often see the financial dimensions of client files.

The primary goals of this text are:

- to explain the LSUC's bookkeeping and record-keeping requirements as found in the *Law Society Act*, LSUC bylaws, and the *Paralegal Rules of Conduct*;
- to explore the common bookkeeping issues that arise in a legal services firm;
- to demonstrate how to analyze and record transactions, prepare various adjusting entries, and identify the steps in the financial cycle;
- to explain the basics of financial accounting so that students can create, read, and understand simple financial statements;
- to provide insight into the financial, banking, and tax reporting aspects of a legal services firm; and
- to demonstrate how stakeholders use financial statements in decision-making.

The text uses the example of Justin Case, a paralegal who opens his own firm, to show how to create records at the start of the business and maintain them through the accounting cycle. The firm's books are opened with Justin's initial investment in the firm and continue through the accounting cycle to the preparation of financial reports and closing accounts to start the new year. The examples demonstrate how to comply with LSUC bylaws, especially those with respect to accounting for trust funds received from clients.

The text explains the process of double-entry bookkeeping, and how to record debits and credits, so that students will be able to summarize business transactions in a manner acceptable to the Law Society and meet requirements under the *Income Tax Act*.

The text also explores legal accounting software and shows how it can be used to manage client files, record transactions, and prepare reports.

The skills taught in this text are transferable, so students who start their own business, in any area, will know how to record and interpret financial information.

The text provides general advice regarding common bookkeeping issues; it does not cover every possible situation that can arise in a firm. If you have questions about the bylaws, you can call the Law Society Practice Management Helpline at 416-947-3315 or toll-free in Ontario at 1-800-668-7380, ext. 3315. You can also check the Law Society's website at <[www.lsuc.on.ca](http://www.lsuc.on.ca)>. If you have specific bookkeeping, accounting, or tax questions, we suggest that you consult an accountant, financial adviser, or lawyer who practises in these areas.

# Chapter Features

## Learning Outcomes

To guide the learning process, the learning outcomes at the beginning of each chapter identify the concepts being covered in the chapter.

## Chapter Summary

The chapter summary explains why the information presented in the chapter is important. It provides examples of how the information can be applied and how pitfalls can be avoided.

## Key Terms

Key terms are boldfaced throughout the chapter. Detailed definitions of all key terms are included in the glossary at the end of the text.

## Put It into Practice

Case examples featuring Ann Litigate's paralegal practice are used to demonstrate chapter concepts. Through these examples, instructors can generate discussion and ensure that students have grasped the material presented in the chapter.

### PRACTICE EXCEL

## Practice Exercises

True-or-false questions allow students to test their knowledge of what has been covered in the chapter and help them focus on important concepts. Short-answer questions require students to apply what they have learned. Accounting is best learned by doing; the longer exercises at the end of the chapter give students an opportunity to put theory into practice.

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